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ARE YOU WRITING A BUSINESS HISTORY?

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Are You Writing a Business History?

WHAT IS BUSINESS HISTORY?

The term "business history" is peculiarly American. It connotes the story of the policy, management, and control that go into the production of goods and services chiefly for the making of a private profit. I should also include coöperative business (maintained for the benefit of the backers in the form of lower prices) and public business (supported by taxes paid by the public, who gain or lose according to the success of operations). Up to date, however, business history has been almost wholly the story of how profits have been made or losses incurred by private individuals through serving the public.

Business history is not romance or scandal, propagandist exposé or hero-worshipping. Ideally, it is an earnest effort to learn and to set down in orderly fashion the facts and ideas that have underlain the organized plan of using capital and employing men in order to serve society's needs. True, a few business men may consider only themselves, cheat the public, and break the laws, but they are soon eliminated by lack of further opportunity. In the long run, business men are in effect the servants of society, who take as their reward profits or salaries or both. What they receive depends on their ability to run risks, organize production, and change with changing circumstances. There is no such thing as the "entrepreneur," that is, no one business man; but there are various classes of persons engaged in business. These classes have changed with the generations and will continue to shift with the opportunities of gain and the needs of society.

The business man seeks profits through serving his fellows. He helps others (as they help him) much more than those who beat the drums of politics, beat their breasts and threaten hell and damnation, and paint lurid pictures of the downtrodden and hopeless incapables. The business man is intelligently selfish and operates largely in an impersonal and rational manner. Since most men are personal, irrational, and highly sentimental, business is understood by few. Objectively the business man is a benefactor; subjectively he is a public enemy or at least suspected of being such. If we only stopped to examine how this situation from time to

time changes, at least slightly, we should get some insight into the whole matter: in war and in a peacetime boom the business man is regarded as desirable, essential, and beneficial, while in a severe depression the unreasoning sentiment turns to irrational plans for curbing, half-ruining, and even abolishing the business-man class.

If we decide to record the history of business, instead of abolishing business, we find that there are three logical steps required in building up the framework of business history. First, we must have the histories of individual firms or companies—the elemental cell in business organization. At times, when a business man undertakes successively or jointly several business enterprises, this study must take the form of business biography. In towns we find a lawyer not only engaged in legal practice but selling insurance and carrying on a real-estate business. On a larger scale, an operator such as Frederick H. Prince invests in one large concern after another, entering to manage or control, and then selling out only to undertake some other venture. But, in general, if there is a hero, it is the firm or company, an organized group of men at work, in which individuals play their parts and then pass on. Persons are vital but only as they function with others—in the greatest coöperative movement known, private business pursuing a profit.

The second type of business history is the history of an industry, that is, a group of business units that provide the same goods or services and compete with one another. In business history the textile industry would not be an example, but the rayon industry, the cotton industry, and the woolen industry would. Also, not the non-ferrous metal industry but the copper, the aluminum, and the silver industries. Not the insurance industry but life, fire, marine, and liability insurance. Obviously the writing of histories of individual business units is a necessary preliminary to the development of a history of an industry. In economic history the student collects facts from the census, customs records, and other such sources and makes these into an industrial history. The result is valuable, but it is not what is being considered here. So far, there is no industrial chapter in business history because there is not an adequate number of special studies of business men and firms engaged in any industrial effort, as here defined.

Thirdly, there is general business history which would include the story of business men, business units, and industries. Although efforts have been made (see my *Business and Capitalism, an Introduction to Business History*, 1939) to put together the broad

outlines of business history, there is as yet no adequate basis for such an effort. A pioneer attempt is worthwhile but hardly of lasting service.

Americans have gained their greatest distinction in business. It is our art, our science, our morals, our practical education, all rolled up into one creative, synthetic effort. A few years ago a book was written, called *Our Business Civilization*, which expressed no satisfaction in this national engrossment in business. Now, it is fitting, and to be expected, that such a nation would lead in recording the history of its greatest creative effort; Germany has come next, with England, France, and other countries proud of their freedom of contamination with any intellectual consideration of a nexus which in real life they cannot get along without. America has had neither the ecclesiastical nor the classical animosity to turn away from a study of what is obviously of fundamental importance.

It may be asked, if the subject is important, why the ancients, mediaevals, and early moderns did not isolate the phenomena of business and turn aside to record what they found. The answer is in part that in the affairs of the mind—conscious studies—we have proceeded from the remote to the immediate, from the far to the near. We have studied the stars before we have isolated the molecule, we have been interested in gods before society, and we have been concerned with politics before business. Moreover, we have developed the science of political economy (or economics), the study of historical economics, and the discipline of economic history without learning what lies beneath them all. To discover business as the basis of economics would be insulting to many a classical economist or economic historian and it would be mentioning an unsavory fact to the social economist. Just now we are catching up with an important set of phenomena which lies right near at hand and which has been ignorantly and perversely neglected or tabooed. Much may be reasonably expected from business history, as indeed from business economics.

How long it will be before we can write industrial histories (as here defined) and general business histories is not clear, but it will probably be over twenty-five years; now, even now, we can write business histories in the sense of biographies of business men and histories of business companies. If we had had such in the past, especially if they were critically written, we might have had neither the New Era nor the New Deal. Clearly, if our thinking about business does not keep pace with our creative efforts in business, the whole business house may fall about our ears. It is not

only business men but academicians—"the educated"—who need business history, if business is to survive in its most dynamic form.

THE PURPOSE OF BUSINESS HISTORY

There are histories of business firms written today for advertising purposes. Often these are anniversary volumes, well illustrated, printed on good paper, and distributed freely to customers and friends. Many of them are useful, but most are a waste of effort from any point of view except the ephemeral. There are histories written for the executives and never published. The intentions have been, I believe, to uncover mistakes and point out necessary changes. I never have been able to gain access to such histories, but I have seen the reports of consultants that analyze weaknesses at some given moment—usually of distress. There are also histories of firms written for insiders and outsiders, executives and interested workers, customers and scholars, and the general public. This is the only category to be considered at length here—the history that is fair, candid, rounded, and available to a wide array of readers.

If business history is not educational, there is no reason for its existence. Whom is it to educate? I think it should influence four principal groups—the business men themselves, the workers, the scholars, and the voting public.

Business men need to develop an understanding and a pride of accomplishment that is theirs by right of attainment. But, feeling this, they may not realize the fact consciously unless they learn it from books, which are the traditional and almost only source of education allowed for in the schools. Business men are in need of perspective in policy and management in order to avoid error and the costly repetition of error. They need to learn that society (including business) has always been, and in recent centuries increasingly has been, in a process of change, often for the worse but generally for the better. In other words, change is normal, even if not always easy to adjust oneself to. Moreover, business men should learn, and this is a long and well-recorded lesson, that much good can come from outside business. The points of view of churchmen, workers, consumers, and the public generally are worthwhile. In addition, business men should learn that they themselves are divided and that each class of business men owes a decent regard and a certain respect to the others. In recent years, the industrial capitalists have done their utmost in the interest of efficiency and immediate profits to destroy petty capitalists who in time of strife would assist business at the voting booth or, if necessary, on the battlefield.

There is one type of business man to whom business history should have an especial appeal, namely the young manager type hailing from a school of business. He is accustomed to utilize facts found in books as well as in actual business. He is the professional hope of business, for he develops ideas and ideals apart from any one employer and he commonly moves from one firm to another. This group is the private bureaucratic group that is so valuable to the government in time of war. In case of the socialization of business, its aid would be indispensable. Like the engineer, the doctor, and the lawyer, the budding executive of this type is an applied scientist.

The workers and their leaders need to know that investing capitalists and business executives have problems, run risks, and incur losses; that they put in a day of strenuous work, and that they shorten their lives by the pressure of their jobs. All this instead of the pictures of idle rich, winter golf, summer yachting, and perpetual cocktail parties. These things exist, but they are no more typical of business men than the jail is a typical residence of workers.

Scholars will have the greatest difficulty in learning business history because they have the most to eradicate before they begin to take in. They must learn that business is not predatory but social, that it is not the rival of culture but the ally, and that it is not just the result of big forces on the outside but also the result of great efforts in administration on the inside. Many scholars think that all that is necessary is to pass a few laws, regulate credit, raise or lower prices, and now, in our time, arrange for the easy exchange from currency to currency in order to get monetary stability. Business history is the story of systematic and continuous effort to make adjustment to labor situations, market conditions, community feelings, swings in general business, and trends in political thinking. The business man has to deal continually with personal problems in his organization, both among the senior and junior executives and the superintendents, foremen, and workers. Business is based on a knowledge of human nature and operates successfully in the long run only in a spirit of fairness which itself defies complete analysis.

The voting public needs to learn most of the things that scholars should come to understand. In addition, they should appreciate clearly the fact that there are good and bad business, honest and dishonest executives; and that, generally speaking, the larger the business unit the stronger the tendency toward a high ethical and social standard because such a standard is necessary in an

atmosphere of publicity and criticism, inside and outside, and because running counter to the need would be incurring a risk that the big concern cannot face.

There is no one purpose behind the writing of a biography of a business man or the history of a business firm. But clearly the story dealt with should be business and not something extraneous which for the time may be connected with a man or a firm. It is business for business' sake or nothing. That is my main axiom. If business is not of sufficient importance to justify our trying to understand and to improve it, then better let the history die aborning.

WHO SHOULD WRITE A BUSINESS HISTORY?

The answer is "anyone who is competent," but that does not help us analyze the problem. If the candidate for writing the history of a firm is on the inside, then he is likely to be an advertising man, a member of the legal department, the controller or his assistant, the secretary, or the public relations manager. Certainly each would have points of strength, but in fact I have found that none has the breadth or the perspective to do the best work. The advertising man sees products, customers, and ethical issues, not organization, operation, and industrial relations. The legal executive sees organization and form, together with policy and public relations. The controller puts together income and outgo, and he balances assets and liabilities if he can. His is a vitally important point of view but often not the most fundamental; certainly he is inclined to overlook the personal elements as well as the markets and techniques of production. The secretary has the minutes of the stockholders and of the directors as well as the charter of incorporation, but he rarely has an operational slant on the business. The public relations manager might be expected to present too favorable a picture. If all four could collaborate effectively, a good history might be the result.

That insiders can do a good job is illustrated by the following books, which are only samples of a longer list:

John Crosby Brown, *A Hundred Years of Merchant Banking* (1909).

William S. Dutton, *Du Pont: One Hundred and Forty Years* (1942).

Louis F. Swift, *The Yankee of the Yards. The Biography of Gustavus Franklin Swift* (1928).

Commonly it is the outsider who writes the history of the firm or company. This is as it should be in most cases, for the outsider has a broader view of the firm: he can stand back and look at it in its general setting. Moreover, he has no special attachments

and no particular animosities. He is not inclined to over-emphasize personalities, with whom he might be all too familiar.

Assuming that the writing of the history is to be done by somebody on the outside, then to what class of persons should we turn? There is a small group of commercial free lances that have coöperated with business men in turning out useful and readable biographies or histories. Such are Samuel Crowther and Boyden Sparkes. Commonly we are unable, however, to distinguish the ideas for which the literary man is responsible from those that really emanate from the business man, such as Henry Ford or Tom M. Girdler. We meet a similar situation in the writings of Andrew Carnegie, where the work of the literary secretary James H. Bridge is mingled with that of the ironmaster. But with this allowance, I welcome such biographies and such histories. May we have more of them!

The advertising agency is sometimes responsible for a business history, almost wholly as an advertising effort and designed for a purely temporary need. The agency itself has no historians equipped to do the more useful or more lasting job, and yet at times there are bits of historical information of value in the books for which such an agency is responsible. Probably the public relations consultant is in a better position to do a more rounded and more useful job.

Journalists attempt almost any task, so why not a history of some business unit or business man? Ida M. Tarbell is a fair example. She wrote a *History of the Standard Oil Company* in 1904 and a *Life of Elbert H. Gary* in 1925. While these two works are very different, in so far as the former is unsympathetic to business and the latter is sympathetic, still they are alike in the failure to get inside the business situation in order to understand it as a whole, without which no business history can be satisfactory. The journalist will most commonly approach business from the standpoint of some outside complaint or appreciation. In the New Era he would praise it, and in the New Deal period he would damn it, while what is important is to understand it. But stop to reflect on this point: the journalist is keyed to the interests of the outside, and he is most likely to write a business history that will be read. But the popularity of his writing is likely to be measured by what is not true or what is not of long-time importance. The run of the mill of the journalist, operating in the field of business history, is not even chaff: it is mill dust, sometimes very explosive but not socially useful. Let anyone read the following books and judge for himself how unfair (or how fair) the journalist's judgment really is.

Lewis Corey, *The House of Morgan: a Social Biography of the Masters of Money* (1930).

Guiles Davenport, Zaharoff, *High Priest of War* (1934).

John K. Winkler, *John D.: a Portrait in Oils* (1929).

Economic historians are beginning to write business histories, and that is promising not only for business history but for economic history. The economic historian is inclined to emphasize the broad background of a subject (such as geographical aspects), the general forces at work, and the social results accomplished. These are important and useful but they do not lead to business history unless interwoven with policy, management, and control. The economic historian will readily read correspondence, minutes of stockholders, and minutes of directors, but he is little inclined to dwell on journals or ledgers, income statements or balance sheets. He often will dig out data concerning prices of business products without stopping to discover the cost or market elements that lie behind them. But, when all is said, let us have histories written by economic historians, for, while possibly not ideal, they will be useful, particularly if the firms in question be tied in with broad developments, as is the case with the Hudson's Bay Company, the Bank of England, the Union Pacific Railroad Company, and the Federal Reserve System.

Social historians are a growing group who spread their net far and wide and are doing a useful job for the world of scholarship. Allan Nevins has written an excellent life of *John D. Rockefeller* (2 vols., 1940). And yet, while he has contributed much to an understanding of what really happened in the oil industry in its most formative period, he has failed to give us exact information about many aspects of the business, particularly management and finance. He has used remarkably little inside business material, though his work has many of the earmarks of an official history. Lurking in the background is the stern judge of social development, who is more interested in a practical verdict than in an understanding of the whole issue. And yet, let us have more works of an Allan Nevins and of other social historians who may measure up to his stature, even if the works of their hands be the production of boiling the pot, never to be repeated if they can help it.

Of course, the ideal historian is the business historian. Unfortunately, he cannot ordinarily be found ready made: he must be created out of something else. In this process of orientation it is better to start with one who is either a general historian or not an historian at all. The economic or social historian has too much to unlearn. The general historian at least has the historical

point of view. But a student of business, one who is going into production, sales, or finance, would be my choice for the writing of the history of a business firm. He has an interest in the main job, or at least part of the main job, namely getting results in some department—creating a condition favorable to profits through serving the public. If such a student has already had business experience, so much the better, provided he is not too old to learn afresh. There is something in the mind of a forty-year-old which says "Hold, that is enough." He has learned a lot and has no room for more. All the more tragedy this, in view of the fact that longevity is increasing.

But how is an advanced or graduate student of business history to live during the writing of a history? He is likely to have accumulated little financial reserve. He must be subsidized. Who should subsidize him? Ideally this should be, then, some such institution as a university or institute of research. Unfortunately no free funds are available. The only recourse is to ask the business firm itself to subsidize, not the researcher but the whole project, as well as to throw open all the sources of information. Then the institution can assume responsibility and guarantee the author's independence of judgment.

An author must be free to express facts, conclusions, and opinions. In this particular situation, however, there is one, and only one, limitation that is necessary, namely that no facts concerning a business should be disclosed, if that disclosure would injure customer relations in any particular instance. The writing of a history could hardly be undertaken in order to injure a firm; and yet, the firm must be prepared to accept the bad, as well as the good, general results of a study of its history. That American firms are ready to have their history investigated indicates that they have little to fear and that there is a large measure of candor developing in the minds of business men. It may be just this sense of candor, this public-mindedness, that will help put business into a better position with the public.

It might seem that in this section we have mentioned some classes of persons who write, or might write, histories of business only to ward them off. In fact, they are mentioned to warn of weakness and to develop a sense of relative values. The whole purpose of this treatise is to help those who have *not* been trained in business history. There are not enough business historians to go around, for there is a growing need for business histories as a basis of educating people both in business and on the outside.

SOURCES OF INFORMATION

I have had many inquiries as to what sources of information are useful in the writing of business history. I shall deal briefly with about a dozen which are, of course, of very unequal value. First and foremost are the business records, those bits of paper or books which record transactions on the inside and with the outside, which have official value and commonly legal standing. Some of them are so essential that they must be kept and may not be destroyed. An example of this class of record is the minutes of the stockholders and the minutes of the directors of a corporation. These are kept in the secretary's or clerk's office, where are commonly also to be found legal contracts and central office correspondence.

The annual reports of a company are one of the most readily available sources, especially when printed. A complete series of such reports gives us a quick over-all picture of a company's fortunes. The operating statements and the balance sheets, when studied over a long period, are revealing of success or failure. Watch the quick assets, the amount put down for good will, what is paid out in dividends, and what is added to surplus. Tabulation of all the possible series should be undertaken early in the research. Perhaps the *Annual Reports* of the United States Steel Corporation (1901 - present) might be taken as a sample of the better statements given out to the stockholders. Certainly that Corporation has been a leader in revealing essential business information.

Some annual reports contain, besides financial statements, descriptions of the company's condition in fields of labor relations, plant and equipment, research, and administrative organization. Certainly, they list the top executives and often contain obituaries of those who have passed on.

The prospectus issued by a company when it puts securities on the market for sale is often very extensive, particularly in the case of a large holding company. Such a statement, especially when issued under the watchful eye of the Securities and Exchange Commission, contains information that relates to the productive value of the company. Actually, the largest array of pertinent facts is mustered by the legal and accounting departments with this purpose in mind. But neither in the prospectus nor in the annual report is there adequate information concerning inside management, labor conditions, or sales problems.

The accounting records, such as cash books, order books, journals, ledgers, and many other special series, varying according to the type of business, provide the greatest insight into a business

and the most intimate information anywhere to be found. Such accounts set forth details concerning the business that is actually done, for which people have paid their money. To be sure, a purely holding company would not have all of these types of accounts, because it is not an operating company. Such accounts would be kept by the operating unit.

In looking for these indispensable minutes, accounts, and correspondence, the researcher should go to the secretary, the office manager, the controller, and the treasurer. To be sure, there are many kinds of inside records elsewhere—in the advertising office, the works manager's office, the personnel manager's office, and so on. The records in the case of a century-old firm of medium size may amount to 1,000 volumes (or the equivalent) and present a challenging opportunity, for the real student.

When firms have got into difficulty, financial or otherwise, they or their creditors have frequently employed public consultants (engineers, accountants, market experts, and the like) to study the business situation and report. Sometimes the reports are oral and soon forgotten; but sometimes they are in the form of one or more volumes of facts and recommendations. These are valuable but generally have to be sought out. They are commonly kept in the innermost vault of the company studied.

Written commentaries are invaluable. The president of the Collins Manufacturing Company wrote a comprehensive analysis of his firm's progress and difficulties. Would that more of such commentaries were available, written with the penetrating insight of a creative executive! Over a period of years, Elbert H. Gary made innumerable addresses before the stockholders of the United States Steel Corporation, the subsidiary companies, and the representatives of other firms in the industry, which have been collected into eight volumes. They are a treasure house of ready information concerning policy and control.

Newspapers are useful sources, and frequently a company keeps a scrapbook of clippings. On the whole, however, apart from advertisements, they do not go very far nor cut very deeply, but are of the nature of useful supplemental sources. While trade journals are essential for the study of an industry, they are often useful for the history of a single firm, for background, or for an occasional article on the firm, or for the firm's advertisements, which at times are essential.

The records of labor organizations, existing within a company, throw light on working conditions and the workers' problems.

House organs intended for workers are worth perusal. In general, however, such records commonly fall short of expectations.

Court trials are helpful, for they ordinarily provide arguments on both sides of a case, though no solution (verdict) that the researcher necessarily accepts. Outstanding examples are lawsuits under the Sherman Anti-Trust Act, for instance, the Northern Securities Case (1904), the Standard Oil Case (1911), and the United States Steel Corporation trials (1911-20). The researcher should obtain not only the printed report of the case but the briefs of the lawyers employed by the firm or company accused.

Political investigations are worthwhile, that is, the hearings before committees of the House of Representatives or of the Senate, together with their report. For a study of the firm of J. P. Morgan and Company, the Pujo Committee's hearings are invaluable, as are the Stanley Committee's hearings for a study of the history of the United States Steel Corporation. Commonly these committees are partisan bodies created not to unearth truth but to blacken an opposing party and win votes. Accordingly, the reports made by the accused firms to be submitted in rebuttal are of unusual importance, whether or not the committee permitted the reports to be submitted. The separately printed replies of the American Telephone and Telegraph Company and of the United States Steel Corporation are valuable documents for a study of American business history; the first was prepared as an answer to the charges of the Federal Communications Commission and the latter to the charges of the T.N.E.C.

Conversations with officials and workers, whether retired or active, are indispensable. Many a time a researcher is put on the right track by a personal interview. Some slant appears in conversation that is not otherwise available. The researcher had better study the art of interviewing, however, lest he waste time in asking useless questions. Above all, he needs a background of fact before he can ask intelligent questions. On the other hand, I have seen researchers delay questioning for a year and then find that the key persons had died. I found a key man on his death bed, and the story of his firm at one point will never be known.

There are innumerable graphic and pictorial sources of information that the wise researcher will not overlook. There are photographs of individuals, buildings, machinery, and products, as also insurance surveys and engineers' drawings. The Industrial Museum of the American Steel and Wire Company, lately disbanded in Worcester, Massachusetts, had the largest pictorial col-

lection I have ever seen for a relatively small plant. The collection tells a story that words and records do not reveal.

Trade catalogues should be sought out and arranged according to dates. Their importance arises in part from the fact that they describe the product—the reason for the firm's existence—and in part from the fact that they throw light on sales methods.

The credit ratings of a firm may be secured from a mercantile agency, if the firm in question authorizes the release. Year after year they present a picture of varying fortunes, as viewed from the outside, which supplement much inside evidence.

Information from commercial and investment banks about the affairs of a manufacturing, merchandising, railroad, or other company may sometimes be secured, if a request is made by the company in question to release the information. Ordinarily the information from such sources is of only moderate value because the counterpart commonly exists in the records of the company itself.

Fortunately or unfortunately, not all classes of records are found for any particular firm. But enough are often available to compel the person in charge of the study to divide the labor. Someone should classify and arrange the material. The main researcher (the author) should become familiar with each of the types and then delegate to one or more assistants special study tasks. It is fatal to over-load the author with detailed work. An adviser in the background is helpful to keep the author on an even keel and, in the early stages, to assure him that he will have further support if necessary. Mercifully, some of the types of information gradually appear to be of little value, while others loom large as the fertile fields to be intensively cultivated.

DIGGING OUT THE FACTS

The researcher, such as an historian, is necessarily a digger of facts. About the first problem is to decide in what particular spot to dig. Probably the answer is really twofold. One spot is the beginning of the firm; another is the very present. The reason for the first is obvious, for the other not so clear. In fact, it is necessary to know what the firm is doing now, what its present problems are, where it has arrived, so as to be able to guide any effective incursion of the past. From the present we may learn some of the things to look for in the past. For instance, where did Macy's age-long cash policy come from, where its underselling of other firms? But, also, we should study the present or recent past for

another reason—so as to be able to interview older executives and workers before they pass away from the scene.

It is also well to decide very early in the work just what the deadline at this end of the story is to be. Some firms prefer to stop somewhat short of the present. This is disconcerting to the researcher who wants to survey the whole gamut of experience even to the day of closing the last chapter. A convenient compromise is to take some date a few years back—one agreed upon with the firm. The author would then be responsible for all important developments up to that dateline and would be concerned only with general policy and over-all developments on this side of it. This arrangement really has an advantage in sparing the author the necessity of explaining or interpreting developments still under way and far from completion.

Now, when the author knows the beginning and ending dates, there is the problem of how many kinds of work to carry on at one time. I suggest that the most practical procedure is to keep about four jobs under way all along till the research is finished. Of course, compiling facts is one of the jobs that cannot be dodged nor even delayed. A second is thinking the situations over as the facts reveal or suggest larger situations. Thinking and asking oneself questions and raising issues constitute a vitally necessary part of the creative process involved in writing a history as in doing any other kind of research. Along with these, at least intermittently, should go the visiting of the firm's factory, or store, or bank, or whatever the business is. And, at the same time or soon, some of the interviewing of persons, young and old, active and retired, should take place; but care should be taken not to visit the senior executives until important questions can be asked. Although doing four things at once seems difficult, some such procedure is the only effective one.

Often a different method of writing a history is undertaken. Recently a president asked his advertising manager to begin the history of his firm. Being already busy, the manager had to delegate the task. His plan was to ask one of his clerks to mark the records and then type out the parts marked. The president soon saw what the result would be and stopped the effort. No, such a mechanical process cannot succeed. Some one researcher has to re-live the life of the company, if the history is to be re-created. He must get the records in mind, mull over the facts, visit the scenes of operation, and talk with the men at work or just retired. Through the mill of one man's brain should go every important historical task.

As the researcher goes along, he finds himself in need of certain

materials. If he were writing a history of the United States, he could buy manuals providing him with lists of officials, dates of wars, and many other useful facts to know—at least the skeleton, which he could cover with flesh and adorn with clothes. But in writing the history of a private firm, the researcher is doing something probably never before undertaken. He must compile for his own use, as he goes along, the tables of facts he will require. He may compile a chronology of the most important dates, for possible publication but primarily for use in writing the story. There are lists of officials and their dates of office, lists of mergers, and the like which would be useful. In addition, there are series of statistical data that the historian must have before him as he thinks, compares, and finally writes. There are tables of annual sales, number of employees, profits, amount added to surplus, and many other data. In addition, the average prices paid for raw materials and received for standard types of product have to be learned and recorded from inside material or from outside sources.

There is one special type of possible procedure that should be considered at this point. This is the compiling of a documentary and statistical history from which at some later date a general history will be written. On one occasion, I recommended this method and the work was finished. Later, when it was decided to do the main job, however, the documentary and statistical history proved to be only moderately useful. The author employed for the general history was not interested in the material that his predecessor had compiled, and he sought a somewhat different approach to the problem. But, still, this kind of history is a possible compromise for a firm which does not believe that the time is ripe for the publication of a finished history.

But above all is the advice not to dig mechanically. Mulling over the facts and discussing them with friends and associates are necessary parts of the historical process. As the work progresses, certain topics will emerge; but it is a good plan to begin with some ideas as to what the points of emphasis may be. This is the subject of the next section.

WHAT TOPICS TO EMPHASIZE

When a researcher (our author, or historian) is confronted with a mass of records or other material for study, he wonders what he should emphasize. Well, he will find the answer as he goes along—sometimes slowly and painfully. It is at least economical for him to have some of the most likely points of emphasis before him

when he starts. Let us consider seven topics to be on the lookout for—from the beginning to the end.

First of all, there is the legal framework or external organization. This is ordinarily simple. The concern in question is an individual proprietorship, a partnership or association (unincorporated), an incorporated company, or a holding company (whether or not incorporated). A few large holding companies are extremely complicated in so far as they have scores or hundreds of subsidiaries, some of which themselves have subsidiaries.

Second, there is a question of control in every business unit. Theoretically, the owners control, but in many instances the owners are so numerous, scattered, or lethargic that they will not exercise control. Perhaps one should say that conditions have so developed that control is, under normal circumstances, quite ineffective. A good example of this occurs in the large mutual life insurance companies in which the sending of stockholders' proxies is a mere routine, making possible the continuation of the existing executives, who in effect are coöptative. But there is always possible a crisis (financial or moral) which will cause the stockholders to spring to life and use their control.

Third, the internal organization of each concern is of great significance and must be grasped by the researcher. In some large firms it is complicated and can be best grasped by a study of the organization chart. This chart shows the chief officers sending their roots downward from the top executive to the vice-presidents in charge of departments, to the managers, superintendents, and foremen. In a sense, the chart expresses the theoretical organization. The actual power, however, may be very differently distributed than the chart indicates. An officer may be given rank, but, because old or in declining strength, he may have to leave the exercise of his office to a junior. But usually the organization chart is fairly revealing of powers, duties, and relationships. In general, it combines two sets of functionaries, those in the line organization and those in the staff organization. The former carry on the primary jobs of producing the goods or services even down to the point of sales and financing sales, while the latter are concerned with general duties which help all workers at any stage of the process. Examples of the staff organization are the accounting, legal, research, and industrial and public relations departments.

Fourth, we need to become acquainted with the administration (or "management," as it is often called). This is the brain of the concern. It is made up of the officers and directors who in some

combination formulate policies and control the actual operations of the firm. Since the administration is obviously the government of the concern, it is found at the top of the organization chart. There are two points to look out for early. One is whether the directors come from the outside or the inside. If from the inside, they are also the officers of the firm, as in the case of the Standard Oil Company (N. J.) and of the Dennison Manufacturing Company. The other point to observe is the location of the chief seat of power. Some one person commonly dominates. In all effective organizations, economic or political or educational, it must be so. The president or chairman of the Board commonly is the dominating officer (or, in New England, the treasurer), because he owns a large amount of stock or represents the interests of other large owners, or because he has the complete confidence of the stockholders or officers or both, or because he represents the creditors of the concern who are trying to nurse it back into financial health. At times the man who is the effective head is an operating vice-president, young, aggressive, and slated for the top post. Somewhere in a back office he makes most of the important policy decisions, while the titular head more and more eases off the heavy duties which a shattered frame can no longer bear. Such a declining top executive commonly concentrates his attention upon finance and interdepartmental relations, leaving to his operating vice-president the heavyweight jobs of production and sales.

The fifth group of topics is the line functions of management—that succession of operational jobs which produce the finished article which the public wants. These line functions of management are commonly about as follows:

1. Procurement.
2. Storage of raw material.
3. Production.
4. Storage of inventory.
5. Sales.
6. Transportation.
7. Finance.

In large firms like the United States Steel Corporation or the Ford Motor Company nearly all of these functions may be performed right in the concern itself. Typically, however, in large or small business units some of these functions are performed by independent concerns. Agents may procure the raw material; common warehouses may store it; and sales agents may sell the product.

Railroads may do the transporting, and finance corporations may arrange credit for the customers. But here in the line functions are the vital parts of the living business unit. Record their history and you have the main part of the whole; omit them and you have only a history of the shadow of reality. Pick up some fairly popular histories of business firms and see how much there is of the main story. This is an acid test of a business history.

The sixth set of topics is the staff functions of management, those tasks that cut across the line functions, but without which the line functions could not operate smoothly or, in the long run, successfully. The most elemental and necessary function is book-keeping or accounting. Originally there were a high desk, high stool, and a bookkeeper, with a cash book, day book, journal, and ledger. Then in the period after 1900 the books gave way to loose-leaf systems and handwriting gave way to typewriting, which had made its first conquest in correspondence a decade or two earlier. Cost accounting in its modern hue was then added and at about this point there appears a whole department of clerks, bookkeepers, accountants, auditors, and controllers, if the firm grows in size. Inside auditors may check the others and all be collectively tested by outside auditors, as in the case of large corporations selling their stock on the public exchanges or banks being inspected by examiners provided by States or by the federal government.

As a firm grows, it may add a research department. Of course, any particular business may copy the work of the leaders in the industry and keep itself alive by selling at low prices. A strong company commonly becomes a product leader in the industry through research. Such are the General Electric Company, the Westinghouse Electrical Manufacturing Company, the American Telephone and Telegraph Company, the General Motors Corporation, the Standard Oil Company (N. J.), the Eastman Kodak Company, the Du Pont Company, and, increasingly, the United States Steel Corporation. Altogether, such firms employ tens of thousands of specialized researchers, the products of our universities and engineering schools.

Other staff departments are an industrial relations department (including a personnel staff), a public relations department, and a legal department. One division of the legal department may specialize in taxes. The tax situation has become so complicated that only specialists know the laws, their interpretations, and their impacts on the various types of business. Almost every move in business must now be taken with some tax law in mind. Some

firms are slow in setting up these departments and often lose a lot in the meantime. Strikes, misunderstandings in the community, and unintentional breaches of the law are expensive lessons to learn, but they often ultimately produce their own institutional memorials in the form of organized departments to prevent the recurrence of errors. Often a false sense of economy holds up the development of staff departments. I know of one medium-sized company which has three lawsuits, all of different kinds, on its hands, because it has had no legal department. It has reckoned it less expensive to employ outside law firms, as occasion presents itself, but this has come to mean that the outside lawyers are actually engaged in defending cases rather than in avoiding them.

A seventh topic, closely connected with the sixth, is the relation of the firm to the immediate community. This may be, and ordinarily is, little more than paying taxes, fighting unfair municipal laws, and supporting independent local charities. But, in some instances, there is a whole industrial village attached to and dependent upon the company in question. In this situation there are many problems to be solved—housing, water, gas, electricity, transportation, health, charity, sports, religion, education, and local municipal government. The president may control affairs and the works manager may manage them, but many others must participate. Here is a social nexus which presents elements of great strength in the face of a prolonged depression and conceivably offers a model for the future—industrial feudalism. Rightly or wrongly we have associated so much stagnation and subordination with feudalism that we react against the term and the idea, but many believe that our progress is at last slowing down and that the rank and file of men is gradually becoming more interested in security than plenty. But, however that may be, there is a social problem to be studied in the industrial village.

In passing, we may note, and the historian should mark the situation carefully, that there is arising in our midst a professional group of workers in staff departments. We often hear arguments on the subject whether business is becoming professional. Well, certainly this part of it is. Accountants, scientific researchers, lawyers, personnel workers, and so on, have their professional associations and are developing their own ethical concepts. Moreover, increasingly since the First World War, they exchange professional information as a matter of routine and pass from the employ of one concern to that of another more or less freely. By these circumstances one part of business is becoming professional. How about the company you are studying?

We have not listed nor commented upon some topics. Let the historian go to a professional in each line of business for further advice. If he is studying the history of a department store, let him go to a professor of retailing for direction as to the high points of emphasis. If he is studying the history of a manufacturing plant, let him go to the professors of factory management, industrial relations, and marketing. But, above all, let the historian be prepared to discover for himself the most significant topics. Every firm or corporation has its own peculiarities, even though it tends to conform to its own type. Perhaps this is in part owing to the fact that every great concern is the lengthened shadow of a great business man.

Above all, note that, important as these topics are, they are not the only ones and they do not exist in isolation. A history which truly reflects development weaves many threads of growth or change into an integrated whole. A history of a business should be the true reflection of the pattern of events which have occurred and especially those that have grown into the present fabric of the firm.

SPECIAL PROBLEMS OF A LARGE HOLDING COMPANY

What has been said about writing an ordinary business history appears quite inadequate, if we are confronted with a very large company. The size of the following concerns is colossal:

Holding and operating companies:

American Telephone and Telegraph Company
General Motors Corporation
Pennsylvania Railroad Company
E. I. du Pont de Nemours & Company

Holding companies:

United States Steel Corporation
Standard Oil Company (N. J.)

Such concerns, indeed, resemble the United States of America in that they are very large (some think too large) and are very difficult to administer.

Of not one of these corporations is there an adequate history and of some none at all. This is the more astonishing when we reflect that the persons who are called upon to administer them do not really know them and indeed cannot know them. Let us consider the purely holding companies. Elbert H. Gary was the head of the United States Steel Corporation during the period 1901-27. Since that time there have been four heads. If Gary never

learned to know the Corporation in any intimate way, how could the others, who have had much less time, do so? In the case of the Standard Oil Company (N. J.) established in 1882, Walter C. Teagle, who was actually head or not far from it during the period 1917-42, had the best chance to know the parts of his company. But let us remember that there are over 250 subsidiaries, and no one man could know very much about them all or any large percentage of them.

After the period of formation of such large concerns, that is, after the organization and consolidation, there comes a succession of leaders who are embarrassed by the size of the empire which they have to administer. In the case of the United States Steel Corporation, the administrators come largely from the outside—finance or law. In the case of the Standard Oil Company (N. J.), they come from some one subsidiary company or from some one department of the parent concern. In either case it is a major problem for the top executive to learn about his own broad domain. No mediaeval duke or prince had a task half so difficult, even with his Domesday Book before him.

The situation of the junior executives, who, of course, are numerous as well as able, is very similar. They would like to know the facts of their concern but can easily become baffled in any effort to form a comprehensive notion of the whole. The tendency is for each to give up the effort and relax into a comfortable but narrow groove—the trench warfare of modern business.

What the executives, senior and junior, of a large concern need to know are the main framework (easy to learn), the particular problems of subsidiaries, the errors that have been made by the parent company in both internal and external affairs, and the dawning problems that will challenge the best abilities that can be mustered. The whole story needs to be seen as a process of growth and change. It will be a happy day when the *change* is more emphasized than the *growth*; that is, change according to circumstances in the political, technical, and business fields which might demand retraction rather than expansion. Periodically it might be wholesome to hand over a subsidiary to the stockholders for separate administration. Such a procedure has been required by the government and might become standard practice in the interest of good administration and good public relations.

At the very beginning of the writing of such a history, there would be the issue as to whether the basis of analysis would be functional or administrative. A functional point of view, in the case of the Standard Oil Company (N. J.), would emphasize for the

group as a whole such topics as these: land procurement, production, transportation of crude oil, manufacturing, transportation of finished products, marketing, and finance. The result would be an economic history of the firm, useful but not so helpful for the business administrator as an administrative analysis would be. In following this administrative analysis, the researcher would select for study the leading subsidiaries and the parent company as they actually operate. In connection with each, all the topics above mentioned might be studied. In addition, staff functions would be examined: the work of the accounting, legal, research, and industrial and public relations departments. Above all, attention should be concentrated on the central policy and control. Remember that the chief problem is likely to arise out of bigness and that this becomes serious as the concern grows older and as routines are established. We might well remember this situation when we contemplate the plans for ever larger railroad systems in America.

The result of the research into the history of a holding company should be a number of volumes on strategic subsidiaries and one summary volume on the whole concern with special emphasis on the policy and control. The over-all financial picture would loom large in this final volume, as would the political prestige and setting of the concern. This final volume should be particularly well written and should appeal to the executives as well as to the intelligent public. If it had no influence on the future of the company, it would obviously be a failure. History is the handmaid of society and should at all times cater to its needs.

In the writing of about seven volumes on the subsidiary companies, say, of the Standard Oil (N. J.), the work of seven authors with assistant researchers and typists would probably be required for a full three-year period. For the final volume there would be needed for an additional year another author and his assistants, or four in all. For a number of reasons the costs would be high, but low as compared with other undertakings, for instance, an advertising campaign or the purchase of a fresh subsidiary which might prove to be a dud.

It is in such a situation as this—the history of a large holding company—that the work begun on such a large scale should be followed up. One of the authors should, ideally, become the permanent business historian of the concern. He should have an office and staff and keep the history up to date and also make reports as to developments on which history would throw some light. If the business historian were an able analyst, he would save the concern much expense and worry. There should be a written

agreement that the historian should never be made vice-president or given any other such post! He should have the potentialities of a chief executive with the ambition of a philosopher, a scientist, and a workman.

CONFLICT IN COMPOSITION

The first effort in writing history brings us to a conflict that is often distressing and always challenging. On the one hand, history is chronology, and, on the other hand, it is the study of a series of topics of importance. Which should be followed? The answer is that, in practice, we must weave the two together. By a series of early efforts we should discover what the big periods are in the history of a firm and then see how the important topics fit into these.

In every case there are landmarks that divide one period from another. In the history of the United States Steel Corporation the death of Gary marked the end of a period, just as the entry of Myron C. Taylor began a new era of adjustment, reform, and fresh leadership. In between was an era of transition. In the long history of the First National-Massachusetts Bank of Boston there was, first, a short period of practically no rivalry, then a long stretch during which one bank after another took the lead, and finally the big merger of 1903 which started the Bank in the direction of multiple functions and ever increasing size as well as expansion at home and abroad.

Once the main periods have been discovered, the topics of interest can be arranged for treatment. Now, if these should prove to be, say, six topics and three periods, we should not necessarily follow a pattern of a checkerboard of 18 squares or topics. In practice, some of the topics become important very late and may be left untouched until they do become significant. At that point, even though it be in the second period, the early threads may be taken up and woven into the fabric of the story. Similarly, it sometimes happens that topics which appear in the second and third periods can be disposed of adequately in the second period. This involves some anticipation in the second period of events that occur later, but this anticipation need not be serious.

There is no intention of implying that an important topic may not appear in every period. For instance, a department store may from the first have had a distinctive line of advertising, and for every period this advertising may have been adjusted to each new development in a fresh way. In the history of a factory, labor and technical skill are a continuous, if not a constant, factor. In

the history of a railroad there is the ever-present problem of rates, and management always has had the tendency to trail behind opportunities.

If the historian feels that he has sacrificed chronology to logical treatment, he may provide a brief chronology which lists in time sequence the big developments. On submitting a manuscript history of a bank to the president of the bank, I was surprised to find that his interest did not arise until he came to the chronology. At that point he said, "Why, that chronology would be useful to me in preparing speeches on the history of the Bank."

The historian now has his broad periods and his important topics lined up. The next task is to group his topics into so many chapters for each period. There is no rule for doing this, except that by an effort the topics will be found to have a logical relationship to one another. At this point definite chapters begin to emerge. Each chapter should be made up of leading topics. Any subject not of sufficient importance to be made into a distinct section of a chapter should be left out or put elsewhere and integrated with other similar material.

Remember that historical writing is an art. The effect of the thing is what is sought. A history is like a painting in so far as it has background, foreground, perspective, balance, color, and detail. Probably the best history resembles the paintings of the old masters in which all essentials are meticulously worked out. No amount of labor is too great to reproduce reality, to call to life what has lain dormant in nature, or to reproduce in color and form what died in action as the action was finished.

If any person contemplating writing a history of a business firm is unwilling to face the task of artistic production, let him turn to something else. Every book or piece of written work has two natures—form and substance. The reader wants the substance, but he can get this substance easily only if the form be appealing, that is, if the style is light and imaginative, and if the treatment of chronology and topics is effectively handled.

BALANCE OF RESEARCH AND COMPOSITION

The novice in research tends to spend ten hours in collecting facts to one in recording their significance. I have found that about one year and a half should be spent in assembling materials and writing small parts that stand alone and then one half year or perhaps a full year in finishing the writing. All this on the full time of the researcher or author, with the aid of at least one assistant and a typist. Then another half year would be required

to put the work through the press, only part time of the author being necessary.

Now, ideally, there are several processes in the research and composition which we shall do well to become conscious of and to reckon with. First, there is the collection of facts accompanied by much reflection and sifting of details and evidence. Then there is structural composition, that is, the over-all arrangement into periods, chapters, and sections. In this process the author is forced to a third effort—the collecting of more facts and more evidence. Finally, and often painfully, comes literary composition. The author takes his pen in hand, but, believe me, if he has done no writing at all up to this point, his pen will not perform very well. Let him get into the practice of writing almost at the beginning of his investigation.

As the chapters are written, there should be editorial criticism as to substance and form. The critic will discover many points that are more peculiar to the author than to the theme. Often an author has to write a section or even a chapter to meet his own intellectual needs. Then the critic has to tell him to omit the chapter or the section because the readers already know this story or because in the competition of chapter with chapter there is not room for this one. It is the editor who can most clearly see whether there is balance of treatment, breadth of insight, and logical support for all the parts. The author should welcome all the challenges and make the most of them. But the final expression is his own. It is chiefly through challenges that we arrive at our own truest selves.

At some point, as the chapters are read by the editor and rewritten by the author, they should be submitted to someone in the firm who knows its working and, best of all, something of its past. Such a person can catch little errors of fact and distortions in explanations. No history written by an outsider can be authentic unless it is based on inside records and is criticized by an insider. True, it is hard to find an executive who has the time to devote to this task, but I have known presidents of large corporations to take time off to correct errors in a story that to them meant a great deal. At this point, these corrections or suggestions must go back to both the editor and the author for final acceptance or rejection. In case the executive and the author disagree, the editor may find some satisfactory compromise.

Now let us go back to literary composition, already briefly dealt with. This subject belongs to any phase of writing, whether of history or not, and accordingly needs no prolonged treatment here,

but there is one warning that should be given to the novice. It is impossible to engage in scientific research for a period and then turn sharply to literary composition with any success. Literary composition may be a gift from nature, but it can also be acquired. When acquisition is necessary, the process must be gradual. Accordingly, the researcher almost from the beginning of his investigation should do a certain amount of writing. Practice may not make perfect, but it helps. The mere literary exercise, say, of a page a day, will mean a lot when the first chapter has to be undertaken.

Perhaps it is helpful to reflect that the collection and orderly arranging of facts is science, while the effective presentation of the story the facts tell is an art. All the processes of the scientific investigation have to be discarded in favor of new processes. Science is analysis and synthesis, art is pure synthesis. While the scientist cuts up, the artist puts together. While the scientist can work for long stretches in a more or less mechanical fashion, the artist needs inspiration, perhaps even stimulus. The degrees of truth in these statements vary according to the persons concerned, but all should analyze the situation and be aware of the nature of the processes.

WHAT TO LEAVE OUT AND WHY

The historical researcher soon discovers more material than he can possibly put into his written story. Some parts must be eliminated. What can be left out, because not vital to the task? In considering this problem, let us remember that the supreme test is the relevance to the story at hand. And the story at hand deals with only one theme, has only one hero, namely the business or the organized effort to do a job for society.

Let us consider political events. Often we find that a business history is sprinkled with references to presidents, elections, and congressional votes. At times this device is used to give anchorage to an event—to place it in the realm of the known, the assumption being that the reader knows political history. There is some merit in proceeding from the known political field to the unknown history of a business firm; but the practice may become extravagant unless there is some logical connection between political event and business development. To be sure, some political happenings have affected business deeply, as for instance the adoption of the Constitution, an increase in tariff protection, the defeat of the free silver issue, and the victory of Wilson's New Freedom and Roosevelt's New Deal. Likewise, wars are political events that cut deep

furrows into the business field. Perhaps the rule should be not to bring politics into business history very often, unless there is a close connection.

In a history of a bank in New York, the fire of 1835 is played up because dramatic, even though the bank in question was not burned down. Similar treatments have been given to the histories of Boston business firms and those of Chicago, in each of which cities there were disastrous conflagrations. It is not fires that I am specially concerned with but local disaster which, though irrelevant, the author brings into business history to lend color. Doing this just proves that the author is not a business historian, and it often indicates that he is doing a job of pot-boiling, not of scientific research. Of course some local disasters are relevant and the story must be told even in a business history, for instance, of the yellow fever epidemics in Philadelphia in the 1790's which brought Stephen Girard into the picture and affected not only Girard's business but, for the time being, that of Philadelphia.

The outside activities of business executives should be given little more than brief mention in most cases, for instance, yachting, golf, hunting big game, and collecting art objects. And, yet, in the business career of the senior Morgan and of Theodore N. Vail, yachting played an important part, and the story of Morgan's art collection is an integral part of his business history, for Morgan made it so.

We should distinguish sharply between the biography of a business man and the business biography of a man. In the former we find much non-business material, for the man in question was broader than his business. We could not write about Jim Fiske without bringing in chorus girls and opera singers, or about Henry Shaw, of St. Louis, without following him through Europe. But when Dr. Henrietta M. Larson was writing the book entitled *Jay Cooke, Private Banker*, she put aside innumerable interesting but solely personal letters—she was writing the business biography of a notable man.

When in writing the history of a business *firm* we come upon scandal, then there is a problem of what to do. We might consider the following. If the affair was important, there must be at least a reference. A scandal which was personal in the life of a man should be omitted from the history of a firm, if it did not affect the course of the firm's work or development. But, if the scandal was not merely personal and isolated and did affect the business, then it must be presented as a matter of fact and record, presented in the proportion and with the emphasis that it deserves, not when

judged from the standpoint of the readers' interest in scandal but objectively from the standpoint of the business theme. In the history of the New Haven Railroad, as of railroading generally, the unauthorized issue of stock by President Robert Schuyler led to a State law regulating such issue, and the whole story deserves to be recorded. The bleeding of McKesson & Robbins, a wholesale and manufacturing drug company that goes back to 1833, by its president, F. D. Coster, created a scandal of large proportions in 1938. Coster (whose real name was Philip Musica) had a criminal record and had entered the drug business to develop the sale of wines and liquors during prohibition. Crooks proceeded to ask him for money as the price of concealing his past. In order to protect himself, he robbed his company, and robbery through the establishment of fake firms was not difficult. To conceal the robbery, he falsified the records of inventory in the Montreal warehouse of the company, and this at the very time that his system of inventory control was being held up as a theoretical model in at least one school of business. Clearly, an historian of McKesson & Robbins should set forth this case in full, not because it did any lasting harm to the company but because it throws light on inventory control and on auditing by an outside firm that failed to make a physical check of the inventory.

It would be a good rule that the author should leave out of his history of a firm the social philosophy that he may personally hold. To be sure, the reader may infer what this is, but it should not be thrust forward, for the simple reason that a history of a business unit is not the place to expound a philosophy of social development.

At times an author finds something wrong with a firm's practices and is inclined to criticize right roundly. The editor may point out that in some cases the criticism of the practice should be made in a history of the industry and not of the firm, because the practice is common to all firms in the industry; and to blame the firm in question would put it in a bad light which it does not deserve. In dealing with the history of an agency, for instance, we might find fault with agency compensation, but let us not put this down as an offense of one agency. This is an ethical or group matter, that should be dealt with separately or as part of the history of the industry in question.

Obviously each historian must decide for himself what to leave out and why. In doing this he might well keep in mind the need for reasonable brevity. It is not yet clear how long the history of a business firm should be. It all depends upon the importance of the firm in the general story of business. Perhaps it would be a

good point of departure to aim at 350 pages (of about 400 words each) and then probably arrive at not more than 500 pages. Of course, the history of the United States Steel Corporation would run to several volumes, perhaps ten, if subsidiaries were included. And, under the same conditions, the history of the American Telephone and Telegraph Company would fill many more volumes. But 500 pages is a high average.

HOW MUCH OF THE INDUSTRY AND OF GENERAL BUSINESS TO INCLUDE

We should probably all accept the view that nothing in the world is simple, nothing exists alone. To us, this means particularly that a business concern is part of a group of concerns and has no complete existence of and by itself. The inner group of which the concern is a vital part is the industry—the automobile industry, rayon industry, railroad industry, and so on. The whole industrial group has approximately the same inheritance of men, material, and techniques. It has about the same choice of types of localities. There are variations, of course, but similarities predominate. The concern that gains preëminence through priority of existence or exclusive patent or unique leadership is different from the others, indeed often refuses to join the association set up by the industry. Sometimes the whole industrial group is divided into two parts, one part maintaining leadership by research and invention and the other part holding its own by adopting the ideas of the other. The second, not having to bear the costs of research and pioneering, can sell more cheaply than the first. Yes, there are divisions within the industry, but there is still the oneness or the similarity that the author of a book on one particular concern needs to have in mind. The industrial average or norm is an excellent background for comparison with the individual firm's position and attainments. When a man decides to enter the electronic industry or the airplane industry, he finds out the characteristic of each prospective firm, that is, if he is wise. The investor, thinking that he should put his money into the chemical industry or the moving-picture industry, analyzes the firms in each, again if he is wise.

The historian of a single business firm may find comparisons invidious and he may not like to record explicitly the fact that his firm or company occupies second place, but he cannot help indicating that such is the case as he goes along. Comparison is one of the best methods of description. This company or that is second in volume of output, first in quality of product, third in degree of

integration, and first in its personnel policy, and so on. These comparisons have deep meaning.

But every firm or corporation is also a unit in the national business picture. It is America's largest corporation (American Telephone and Telegraph Company), the oldest business unit (Francis Perot's Sons Malting Company of Philadelphia), or the greatest foreign concern doing a sizable business in the United States (the Canadian Pacific Railway Company or the Shell Oil Company?). Or, this store is the most ruthless employer of labor in America, as well as the most aggressive seller of goods. To be sure, not every firm will be a first in the American picture, but it does occupy some position.

It may be most effective to place a particular unit in its region. This was the last sawmill to operate in the metropolitan center of the Central Northwest. This company operated the first steamship on Lake Champlain. This company provided the first express service over the Rocky Mountains. Though these are all obvious comparisons, they indicate relative positions.

Just as we must place a firm in its position in its industry, its region, and its national setting, so must we relate its operation to the current business flow. We must observe each business unit going down the stream of time, or, better still, working its way up the stream against wind, tide, and current. For about a hundred years we have known that evolution or movement is the great reality of the universe. This involves petty movements, large trends, and sweeping changes. The over-all variations are in nature rather small, except during a period of many thousands of years. In business, however, changes are more rapid and the life of a single firm is relatively short. Doubtless there are inns in Europe which are 400 or 500 years old, but the managements have had only a broken history. It is chiefly the walls and the sites that exhibit continuity.

From the standpoint of the business firm the chief movements of importance are cycles and secular trends. The cycles are up-and-down movements in business which occupy in the case of the short cycle about three years and in the case of the long cycle about ten years. These cycles in turn are but parts of a secular trend in prices and profits, downward for about a quarter of a century and then upward for about the same period. The cycles in the upward trend have fewer months of depression than those in the downtrend.

It is during these cycles and trends that the business unit experiences its great success or suffers a great eclipse. The unit

may not be prepared for what it runs into; or, by chance, it may have just paid off its bonds on the eve of a long depression. It was a strong concern indeed that could weather the great depressions of 1837-43, 1873-79-86, and 1929-35. These all occurred in the midst of secular downtrends, during which business executives had to meet their greatest challenges and society had to buffet its strongest waves of unrest.

EDITORIAL REVIEW OF THE MANUSCRIPT

Because of the newness of business history, the business historian is likely to be a novice. In practice, then, it is best that his work should be subject to editorial criticism. But let it be said at once that, if the author in question is at all able and is following reasonably high standards, the chief job of the critic is to help the author be his true and better self—fair in interpretation, rounded in treatment, and reasonably exhaustive in analysis.

One of a critic's main tasks is to keep the author from publishing stuff that he has written necessarily for his own edification and education, but which the reader may be expected to know or to acquire independently. I remember one historian wanting to put into his finished manuscript an outline history of the industrial revolution in America. This would have had some value, but it was to be found in many other books easily available. Another, dealing with a regional development, wanted to record the whole national growth in order to show where the region fitted in. Clearly some of the national situations were worthwhile, even necessary, but the whole record, since it could be conveniently found at greater length elsewhere, was a waste of space.

When the studious author comes near to the dramatic moment of publication, he is inclined to want to send to the printer all the materials which he has so patiently dug out, regardless of the space required or the interest of other persons. In short, he does not readily distinguish between the materials of research and the results of research. This was a bane of the nineteenth century, which is lingering on into the present century. The crowded condition of our great libraries is bringing this forcibly to mind, as also is the growing cost of publishing a book.

Just what do we mean by the materials of research as distinct from the results of research? These materials include innumerable minor facts, many asides, tables of events useful in the study of the subject, reflections as to general implications, and involved correlations which had better be left to the reader. Of course, no one would maintain that there would not be a single reader of the book who would use any of these materials, but we may

well challenge the practice of publishing so much for the chance use of so few.

One solution of the problem of using rather than throwing away the materials of research is to put them together in type-written form for deposit in the vault of the firm whose history is recorded and in one or two libraries. This should be done very widely in our studies in the natural and social sciences and in the humanities. In the case of business history, the rise of business libraries makes deposit easy.

Just what the results of research are, in contradistinction to the materials of research, is more difficult to state. But, in general, they are the distilled essence of the story as uncovered by the historian. The results of research are the trim statements that could hardly be expressed more briefly without losing effectiveness. They include no serious restatements, no irrelevancies, and no unnecessary elaboration. Of course, this may seem like the counsel of perfection. But is it not some such counsel that we have in mind in writing this treatise—counsel that for our time will have some meaning but which for future use will probably need revision?

WHAT ARE THE LARGER GENERALIZATIONS?

Before indicating what larger generalizations are likely to be encountered, we should make two disclaimers. First, no one should attempt in advance of research to limit the discoveries to be made or restrict the sweep of generalization. Secondly, in the study of a single firm there is relatively little likelihood that fresh, broad generalization will be made because, of course, the scope of the material is necessarily restricted. But every particular study has some reference to a general pattern of behavior or development. In each instance we should learn how the particular firm being studied fits into the larger whole. It may be that the study will illustrate the general; or it may qualify or redefine the general; indeed it may actually point to errors in previous concepts.

When all these points are made, however, there are still some general categories in business, some stages of development, which we may do well to have clearly in mind fairly early in the research. In American business history there have been petty capitalists, mercantile capitalists, industrial capitalists, financial capitalists, and national capitalists. For an extended treatment of these groups, the reader might consult my *Business and Capitalism*.

American business was, generally speaking, born in the régime of mercantile capitalism. The great merchants of the seaports, such as Thomas Hancock and Stephen Girard, were in key positions

to control much of the business life around them. True, there were petty capitalists, such as farmers, artisans, and storekeepers, who also played an important rôle in supplying the needs of their families and of neighbors, but, at strategic places in the chain of business relationships, they were subordinated to the mercantile capitalists, who imported, exported, transported, wholesaled, stored, and did some commercial banking as well as some retailing on their own account.

After about 1830 industrial capitalism began to dominate business in America. The industrial capitalists were large-scale specialists—manufacturers, ship operators, railroad operators, commercial bankers, and the like. Some of the old-time petty capitalists became industrial capitalists themselves, some became workers for industrial capitalists, and some stayed on as petty capitalists in subordination to the régime of industrial capitalism, as their forefathers had been subordinate to the régime of mercantile capitalism. In fact, we may observe here that the petty capitalist we have always with us. These are the small business men about whose fate there are now many lamentations. But, in fact, these petty capitalists have a faculty of bobbing up again when submerged, holding on when threatened, and rising to new heights when fresh opportunities come along.

Increasingly after 1890 financial capitalism took the place of industrial capitalism. And subordinate to this new régime were the petty capitalists and industrial capitalists. The new financial capitalists were the investment bankers of the day, some commercial bankers who turned to active influence over clients, investing capitalists, and the others. Indeed, this is Wall Street. The outstanding firm has been J. P. Morgan & Company, which, in spite of its efforts to do a good job, has received rough and unfair treatment at the hands of journalists, probably because the firm has been successful. Nothing attracts human buzzards so much as success.

In Italy since the First World War and in America and Germany since 1933 there has been a dawning national capitalism, variously called fascism, nazism, and the New Deal. True, these have distinctive flavors and nationalistic peculiarities, but they are similar in method and somewhat comparable in objective. But under this new system we find classes existing in subordination, classes which were once free, independent, dominant. These are the ever-present petty capitalists, industrial capitalists, and financial capitalists. (Mercantile capitalists have not survived.) Financial capitalists have been treated most harshly by national capitalists—notably

the Jews in Europe and Wall Street in America. These national capitalists are essentially a political group whose strength lies not in the possession of capital, not in management, and not in labor; they are strong in political control over business. The régime is so new that we cannot be sure it will last, at least in the forms we now know. Probably in some modified form, we might argue, national capitalism will prevail for years to come because useful to business as well as to the body politic.

Let us give attention to such types and stages, but let us not be their slaves.

HOW MUCH OF THE SCHOLAR'S RESEARCH MATERIALS TO PUBLISH

In the preceding section we saw the need for publishing only the results of research. At this place, we are weakening to the point of considering how much of the scholar's *apparatus criticus* we should give to the prospective reader. This apparatus might include a bibliography, footnotes, and appendices of additional materials; charts, pictures, and descriptive lists of charts and pictures.

In rare cases in the history of a business firm is a bibliography necessary, for ordinarily there is very little that has been written on a particular firm, and that little can be left to footnotes. A bibliography has become the vanity of scholarship in too many instances and need not detain us further, except to say that when we come to write a general history of business such a bibliography will be almost indispensable.

About footnotes there is more question. To the youthful historian they are a useful check—the authority for a statement. To a prospective second researcher they are invaluable leads. The chief question is where to place the footnotes. In works primarily for scholars and in well-marked fields of learning, footnotes should be at the bottom of the page. But, in books for the general public and for practical men, footnotes had better be gathered up and tucked away where they will not raise the dust of scholarship to clog the nostrils of those who have no appreciation of scholars and little cohabitation with them. In some cases the footnotes may be placed at the end of each chapter; in others at the end of the book, or rather after the last chapter.

But are we to have no appendices, those last words of an irrelevant nature? If we allow ourselves the luxury, then let the appendices be brief and devoted to essentials, for example, to documents of high import which must be read in their entirety to be appreciated. And let such documents be of the nature of the unique or at least of great distinction, such as the first charter

of a holding company, the first collective bargaining agreement with a trade union, or the first cartel in the industry.

In these days of rapid reading and of skimming through many books for information on a wide variety of topics, there must be an index. Even the experienced reader occasionally wants an index to guide him to further information in the book about a person or a topic. But let the index be an index and not a classified table of contents. Let it be an illogical but useful array of words which stand for topics, persons, and places. The maker of the index should not be the office girl or the printer's clerk but someone who is familiar with the subject. If the author himself does not make the index, he should at least see it before it is printed, for he is likely to find that some of his distinctions and special treatments and new terms are omitted or misunderstood.

GENERAL IMPLICATIONS OF THE TASK

The immediate implication of the writing of a history of a business may be very special. The history may add to the prestige of the author or of the firm, and these are worthy results of any effort. But we are here concerned with the larger implications, the greater results.

One of these general implications is the creation of a literature of business history, comparable to the literature of ecclesiastic history, legal history, and medical history, and in a field more fundamental than any of these. The whole literature will some day be extensive, but it has small beginnings, with initial successes and failures. That America should be creative in a literary way is almost novel; but, if this creativeness is to arise, where more logical than in business history, which reflects such glory as America may claim?

First, we shall have histories of business firms and business men, then of industries, and finally of nations and even of the world. In truth, business has been a world-wide phenomenon. It got its big start in Asia Minor, spread to Greece and Italy, Phoenicia and Carthage, then to Western Europe and through England to America. This is a notable story and a true romance—the romance of many men earning profits for themselves and families through service to their fellow men, carrying on the day's work and meeting the season's needs, while at the same time producing ways and means for new growth and fresh expansion at home and abroad, over land and sea. It is at once effusive in the sense that new things arise in its midst and diffusive in that these spread over the world as profit and adventure point the way.

With the goods and services of business go the ways of civilized man—our non-material civilization—the treasures of books and pictures, jewels and statuary, instruments of navigation and craftsmanship, ideas of anatomy and astronomy, tastes in music and literature, and knowledge of the natural world and of the society of men.

The second result of the humble beginning of writing the histories of individual firms is the laying of a foundation on which to build a social philosophy that conforms to reality and is constructive for the mass of men. One of the amazing facts of the history of man is that he has built up a body of ideas about business without any description or analysis of the basic business system. Churchmen created patristic economics, scholastic economics, and canonist doctrines without stopping to understand. Then political administrators erected a substitute body of ideas or policies, which we call mercantilism, for the purpose of strengthening the state. Business men made some corrections and revisions, but the main framework remained political. Then came the physiocratic ideas of eighteenth-century France, framed by a physician, various courtiers, and land owners. They emphasized land and its productivity to the neglect of all other aspects of business life. Adam Smith created classical economics which served chiefly to hold up the ideal of free action in business—our free-enterprise system. But Smith never understood the business nexus of his own day, though he was frequently preoccupied with petty capitalism, which was a vestigial survival of another era. Though he never brought the business man logically into the productive system, he did appreciate the contributions of land, labor, and capital. But this capital was the recipient of interest, not dividends; and no guiding hand of the business man was found necessary. Indeed, Smith thought that the beginning and end of business was the worker, cultivating the soil or producing goods from natural products. That was the basis of value.

Karl Marx took his cue from Smith, except that Marx did understand the function of the business man who, because he was not creative, as the physiocrats had said and as Smith had implied, might be dispensed with in favor of the class-less state. The social economics fathered by Marx and the classical economics emanating from Smith contain two of the principal social philosophies of our day. The first would destroy the business man; the second does not admit his effective existence.

The hope of a system of thought that is founded on reality arises out of at least two disciplines. One is business economics

and the other is business history. By business economics I do not mean those fragments that fall from the tables of the neo-classical economists, nourishing as they are, but the body of orderly thoughts about business and the technique of analysis that are coming from the brains of those who are confronted with the problems of production, sales, and finance in a world of actual effort, struggle, and compromise. The point of departure must be the factory, the market, and the bank, not Smith or Marx. And the dust must be the dust of real life and not of an older literature and antique prejudice.

The business historian will provide facts and experience and generalizations about operational relationships and the patterns of behavior of individual businesses, industries, and business in general. And, so, the man who writes a history of a business is laying a stone on a foundation for a new social philosophy—one based at last on the facts of development. After centuries of strange ideas and weird theories about the natural world, we are coming to study the organic world and the inorganic world so as to build up a collective reality. After the incantations of the witch doctors, the theories of polytheists, and the dogmas of monotheists, we are coming slowly to an atmosphere of enlightenment in which real information and unanswerable logic will have a chance to live. Truth emerges slowly because we are wishful thinkers, prefer poetry to science, and take most readily to the lazy theories of our own inexperience.

If the historian of a single American firm ever fags on a hot summer day, let him remember the big structure that his little contribution may help to build.

CRITICISMS OF THE FINISHED PRODUCT

And now the book is finished. It is in fact "out." The author awaits comments and fears hostile criticism. Now it's the other fellow's chance to make mistakes—in commenting upon and criticizing what he knows little about. Some of the criticisms will be valid, some not pertinent, and others will just cancel out.

The social economist will say, yes, it's well written but it is too favorable to the firm. The classical economist will find too little on the subject of prices, wages, profits, and tariff, and too much about business administration.

The general historian will just describe the contents of the book, for he knows little that would help him to be a critic. He thinks that it is all right to devote a book to a business man who played some part in politics, but why deal with a company that

just illustrates business methods? The economic historian finds too little about the entrepreneur and too little concerning the general background. Moreover, the big forces in the period have not been sufficiently played up. The book is not really a study of great forces at work on little men.

The professor of marketing misses information about procurement or wholesaling. The professor of industrial management thinks that an opportunity has been missed in not following through the development of mechanical techniques. The professor of advertising thinks that the comparison with another firm, his special interest, is unfriendly to that firm.

The literary man can sum up his reactions by the phrase, "the less said the better." He just cannot grasp the terms, and the whole emphasis is devoid of sentiment, universality, and culture.

Of course, the business historian is interested. Well, this is one more stone for the arch that he wants to see built—the literature of business history. He thinks that the firm dealt with, however, is too insignificant. Why not concentrate on the larger units, so distinctive of our era? Another may think that more attention should be given to the petty capitalist—the small business man on whose grave so many flowers are now being deposited.

The business man who has fondly looked forward to the history of his company will have mixed emotions. What has been said in the book about him, his father, his older brother? How much attention was paid to his suggestions in dealing with a certain legal prosecution? On the whole, he does not like the result and he is going to say so. Then he meets a friend to whom he has sent a copy of the book. He hears high praise of the volume. His newspaper likes it. His directors approve his judgment in having had the history written. And so, he writes to the author, "Well, I guess the book is not going to hurt my business." A year later, he would like a second printing if it could be arranged.

The firm's nearest rival is incensed that a whole book should have been written on that particular concern. "Why, it's old and out of date. Yes, it's honorable and financially sound, but then it has seen better days." And finally the rival wonders whether he should not have such a history written about his company. "No, better wait till it is a little older, but the idea is a good one."

In the meantime the literature of business history is under way. To be sure, it is a mere beginning but it is the start that counts. The background of social need will probably provide the momentum to continue the work.